



Selected Acquisition Report (SAR)

RCS: DD-A&T(Q&A)823-420



MQ-1C Gray Eagle Unmanned Aircraft System (MQ-1C Gray Eagle)

As of FY 2015 President's Budget

Defense Acquisition Management
Information Retrieval
(DAMIR)

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Common Acronyms and Abbreviations

Acq O&M - Acquisition-Related Operations and Maintenance
APB - Acquisition Program Baseline
APPN - Appropriation
APUC - Average Procurement Unit Cost
BA - Budget Authority/Budget Activity
BY - Base Year
DAMIR - Defense Acquisition Management Information Retrieval
Dev Est - Development Estimate
DoD - Department of Defense
DSN - Defense Switched Network
Econ - Economic
Eng - Engineering
Est - Estimating
FMS - Foreign Military Sales
FY - Fiscal Year
IOC - Initial Operational Capability
\$K - Thousands of Dollars
LRIP - Low Rate Initial Production
\$M - Millions of Dollars
MILCON - Military Construction
N/A - Not Applicable
O&S - Operating and Support
Oth - Other
PAUC - Program Acquisition Unit Cost
PB - President's Budget
PE - Program Element
Proc - Procurement
Prod Est - Production Estimate
QR - Quantity Related
Qty - Quantity
RDT&E - Research, Development, Test, and Evaluation
SAR - Selected Acquisition Report
Sch - Schedule
Spt - Support
TBD - To Be Determined
TY - Then Year
UCR - Unit Cost Reporting

Program Information

Program Name
MQ-1C Gray Eagle Unmanned Aircraft System (MQ-1C Gray Eagle)
DoD Component
Army

Responsible Office

Responsible Office
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Date Assigned July 1, 2011

References

SAR Baseline (Production Estimate)
Defense Acquisition Executive (DAE) Approved Acquisition Program Baseline (APB) dated March 25, 2011
Approved APB
Defense Acquisition Executive (DAE) Approved Acquisition Program Baseline (APB) dated September 12, 2013

Mission and Description

The MQ-1C Gray Eagle Unmanned Aircraft System (MQ-1C Gray Eagle) provides the Division Commander a dedicated, assured, multi-mission Unmanned Aircraft System for the tactical fight assigned to the Combat Aviation Brigade in each Division and supports the Division Fires, Battlefield Surveillance Brigades, and Brigade Combat Teams based upon the Division Commander's priorities. The MQ-1C Gray Eagle will also be assigned to Army Special Operations Forces and the Aerial Exploitation Battalions. MQ-1C Gray Eagle provides reconnaissance, surveillance, and target Acquisition; command and control; communications relay; signals intelligence; electronic warfare; attack; detection of weapons of mass destruction; battle damage assessment; and manned-unmanned teaming capabilities.

The unit of measure for a MQ-1C Gray Eagle is balanced platoons, each with four aircraft and associated support equipment and payloads to include: Electro-Optical/Infrared/Laser Range Finder/Laser Designator, communications relay, and up to four Hellfire Missiles. The Common Sensor Payload and STARlite Synthetic Aperture Radar Ground Moving Target Indicator are one per aircraft. Ground equipment per Platoon includes: two Universal Ground Control Stations, three Universal Ground Data Terminals, one Satellite Communication Ground Data Terminal, one Mobile Ground Control Station per Company, an Automated Take Off and Landing System which includes two Tactical Automatic Landing Systems and ground support equipment to include Ground-Based Sense and Avoid.

Executive Summary

The MQ-1C Gray Eagle program continues with development, integration, testing, training, production and deployment while supporting the warfighter with two MQ-1C Gray Eagle Quick Reaction Units (four aircraft each and associated support equipment) and a full-up MQ-1C Gray Eagle Company (12 aircraft and 128 Soldiers) deployed in support of combat operations in Afghanistan.

MQ-1C Gray Eagle Initial Operational Test and Evaluation completed in August 2012. Developmental testing in 4th Quarter FY 2013 and 1st Quarter FY 2014 focused on incorporating the Universal Ground Control Station (UGCS) and Universal Ground Data Terminal (UGDT). Testing consisted of transportability and mobility, electromagnetic environmental effects, and software development. Environmental and Developmental Tests are planned for the 2nd and 3rd Quarter FY 2014. Formal Software Qualification Testing will be performed in 4th Quarter FY 2014 to prove out software functionality. These tests will assure technical maturity for a Follow-on Test and Evaluation (FOT&E) planned for June 2015.

On February 5, 2013, the Chief of Staff of the Army approved an Executive Order (EXORD) changing the MQ-1C Gray Eagle fielding configuration to provide greater capability across the Army. The EXORD directs fielding of MQ-1C Gray Eagle companies to ten Army Divisions, one to the National Training Center (NTC), two Army Special Operations Forces (ARSOF) units, and two to the Aerial Exploitation Battalions (AEB) for a total of 15 companies. The two ARSOF companies will be configured with 12 aircraft each (24 total) and the 13 units assigned to Army Divisions, NTC and the AEB's will be fielded with nine aircraft each (117 total) while Continental United States (CONUS) based. Seven aircraft are assigned to the institutional training base at Fort Huachuca, Arizona. The four remaining aircraft are for attrition. When a company or AEB assigned to a division deploys Outside the Continental United States (OCONUS), the Army will reassign equipment, as required, to bring the company to full Gray Eagle System equipment strength (12 aircraft and associated ground support equipment). All EXORD requirements will be met without exceeding the procurement objective of 152 aircraft and ground support equipment and Program of Record funding.

Each company will be integrated with the following payloads: Electro-Optical/Infrared, Laser Range Finder/Laser Designator, Synthetic Aperture Radar/Ground Moving Target Indicator, communications relay, and four HELLFIRE missiles. Ground support equipment for a 12 aircraft company includes six UGCS, seven UGDT, three Satellite Communication Ground Data Terminals, one Mobile Ground Control Station, and the Automated Take Off and Landing System consisting of six Tactical Automatic Landing System-Tracking Subsystem and ground support equipment.

The Full Rate Production (FRP) Defense Acquisition Board (DAB) completed June 14, 2013 and an Acquisition Decision Memorandum (ADM) approved procurement of up to 49 unmanned aircraft and associated ground support equipment which brings the total program quantity to 152 aircraft. The approved quantity satisfies 100-percent of the total procurement objective for the MQ-1C Gray Eagle program. The ADM changed the program classification from ACAT ID to ACAT IC.

An updated APB based on the DAB approved cost estimate was approved on September 12, 2013. Although the fielding strategy has evolved with the Chief of Staff EXORD, the Army will continue to use the 31 platoon metric to determine program APUC and PAUC. MQ-1C Gray Eagle has demonstrated meeting six of seven Key Performance Parameters (KPP). For the Net Ready KPP, Link-16 has not fully demonstrated meeting the threshold requirement. The Army approved deferring meeting this capability to FOT&E which is planned for June 2015.

Major contracting actions completed since the 2012 SAR include:

- Initial FRP1 contract. FRP1 is a Firm Fixed Price (FFP) contract for 15 aircraft and associated ground equipment.
- FRP1 also includes a priced option for four aircraft and associated ground equipment. The option was exercised December 6, 2013 using FY 2014 funds.
- Award of a Cost Plus Fixed Fee (CPFF)/Cost Plus Incentive Fee contract for Pre-Planned Product Improvement (P3I) which allows for development efforts for FOT&E.
- Award of a CPFF Engineering Services contract (FY 2013 - FY 2017) which allows for integration, inspection, analysis and corrective action, test and evaluation for system hardware, software, and components and support of the MQ-1C Gray Eagle systems allocated among Base Engineering Service Memoranda.
- Modification to the Performance Based Logistics contract for performance from May 2013 to May 2014.

The FY 2014 RDT&E appropriation funds MQ-1C Gray Eagle at the FY 2014 PB request of \$10.9M. However, a Congressional reduction of \$81.3M from the Aircraft Procurement, Army budget request of \$518.5M has resulted in a deferral of the planned production and incorporation of Ka-band (military) satellite communications.

Additionally, the FY 2014 appropriation did not include funding for the four war replacement aircraft in the Overseas Contingency Operations (OCO) request. The change in fielding strategy within the existing 152 programmed aircraft reduced the number of attrition aircraft from 21 to four, making the impact of the OCO reduction more significant.

There are no significant software-related issues with this program at this time.

Threshold Breaches

APB Breaches	
Schedule	<input type="checkbox"/>
Performance	<input type="checkbox"/>
Cost	<input type="checkbox"/> RDT&E <input type="checkbox"/> Procurement <input type="checkbox"/> MILCON <input type="checkbox"/> Acq O&M
O&S Cost	<input type="checkbox"/>
Unit Cost	<input type="checkbox"/> PAUC <input type="checkbox"/> APUC
Nunn-McCurdy Breaches	
Current UCR Baseline	
PAUC	None
APUC	None
Original UCR Baseline	
PAUC	None
APUC	None

Schedule



Milestones	SAR Baseline Prod Est	Current APB Production Objective/Threshold		Current Estimate
Milestone B	APR 2005	APR 2005	APR 2005	APR 2005
SDD (EMD) Contract Award	APR 2005	APR 2005	APR 2005	APR 2005
Critical Design Review	FEB 2006	FEB 2006	FEB 2006	FEB 2006
Milestone C	MAR 2011	MAR 2011	MAR 2011	MAR 2011
IOT&E				
IOT&E Start	SEP 2011	JUL 2012	JUL 2012	JUL 2012
IOT&E Complete	OCT 2011	AUG 2012	AUG 2012	AUG 2012
IOC	JUN 2012	DEC 2012	DEC 2012	DEC 2012
FRP Decision	APR 2012	JUL 2013	JUL 2013	JUN 2013
FOT&E I	AUG 2012	MAY 2015	NOV 2015	JUN 2015
FOT&E II	MAY 2013	N/A	N/A	N/A

Change Explanations

(Ch-1) The current estimate for FRP Decisions was changed from May 2013 to June 2013 to reflect the date of the FRP Defense Acquisition Board.

(Ch-2) The current estimate for FOT&E changed from April 2015 to June 2015 to allow synchronization with the planned NTC unit rotation schedule.

Acronyms and Abbreviations

EMD - Engineering and Manufacturing Development

FOT&E - Follow-On Test and Evaluation

FRP - Full Rate Production

IOT&E - Initial Operational Test and Evaluation

NTC - National Training Center

SDD - System Development and Demonstration

Performance

Characteristics	SAR Baseline Prod Est	Current APB Production Objective/Threshold		Demonstrated Performance	Current Estimate
Net Ready	The system must fully support execution of all operational activities identified in the applicable joint and system integrated architectures and the system must satisfy the technical requirements for Net-Centric military operations to include 1) DISR mandated GIG IT standards and profiles identified in the TV-1, 2) DISR mandated GIG KIPs identified in the KIP declaration table, 3) NCOW RM Enterprise Services 4) IA requirements including	The system must fully support execution of all operational activities identified in the applicable joint and system integrated architectures and the system must satisfy the technical requirements for transition to Net-Centric military operations to include 1) DISR mandated GIG IT standards and profiles identified in the TV-1, 2) DISR mandated GIG KIPs identified in the KIP declaration table, 3) NCOW RM Enterprise Services 4) IA requirements including	The system must fully support execution of joint critical operational activities identified in the applicable joint and system integrated architectures and the system must satisfy the technical requirements for transition to Net-Centric military operations to include 1) DISR mandated GIG IT standards and profiles identified in the TV-1, 2) DISR mandated GIG KIPs identified in the KIP declaration table, 3) NCOW RM Enterprise Services 4) IA requirements including	Met threshold at IOT&E, LINK16 will be demonstrated at FOT&E	(Ch-1) The system must fully support execution of all operational activities identified in the applicable joint and system integrated architectures and the system must satisfy the technical requirements for Net-Centric military operations to include 1) DISR mandated GIG IT standards and profiles identified in the TV-1, 2) DISR mandated GIG KIPs identified in the KIP declaration table, 3) NCOW RM Enterprise Services 4) IA requirements including

	availability, integrity, authentication, confidentiality, and non-repudiation, and issuance of an ATO by the DAA, and 5) Operationally effective information exchanges; and mission critical performance and IA attributes, data correctness, data availability, and consistent data processing specified in the applicable joint and system integrated architecture views. The system must be able to enter and be managed in the network, and exchange data in a secure manner.	availability, integrity, authentication, confidentiality, and non-repudiation, and issuance of an ATO by the DAA, 5) Operationally effective information exchanges; and mission critical performance and IA attributes, data correctness, data availability, and consistent data processing specified in the applicable joint and system integrated architecture views.	including availability, integrity, authentication, confidentiality, and non-repudiation, and issuance of an IATO by the DAA, 5) Operationally effective information exchanges; and mission critical performance and IA attributes, data correctness, data availability, and consistent data processing specified in the applicable joint and system integrated architecture views.		availability, integrity, authentication, confidentiality, and non-repudiation, and issuance of an ATO by the DAA, 5) Operationally effective information exchanges; and mission critical performance and IA attributes, data correctness, data availability, and consistent data processing specified in the applicable joint and system integrated architecture views.
Multi Payload/Weight Capability	The aircraft is capable of simultan-	UA will be capable of simultan-	UA will be capable of simultan-	Met threshold at IOT&E	UA will be capable of simultaneousl (Ch-2)

	ously carrying two payloads with a combined minimum weight of 300 lbs.	ously carrying three or more payloads with a combined minimum weight of 300 lbs.	ously carrying two payloads with a combined minimum weight of 200 lbs.		y carrying three or more payloads with a combined minimum weight of 300 lbs.
Airframe Sensors Payload Capability	The aircraft will be capable of accepting payloads that are: EO/IR/LD capable of providing a 90% PD of a military target from the aircraft's operational altitude out to a minimum of 30km slant range. EO/IR/LD capable of providing a 90% PR of a military target, from the aircraft's operational altitude, out to a minimum of 10km slant range. SAR/GMTI Sensor capable of providing 85% PD of a military target, from the aircraft's operational	MQ-1C UA will be capable of accepting payloads that are: EO/IR/LD capable of providing: 90% PD of a military target, from the UA's operational altitude out to a minimum of 30 km slant range; 90% PR of a military target, from the UA's operational altitude, out to a minimum of 10 km slant range; SAR/GMTI sensor capable of providing 85% PD of a military target, from the UA's operational altitude, out to a minimum of	EO/IR/LD capable of providing: 90% PD of a military target, from the UA's operational altitude out to a minimum of 25 km slant range; 90% PR of a military target, from the UA's operational altitude out to a minimum of 9 km slant range.	Met objective, verified CSP during Production Prove-Out Test.	MQ-1C UA will be capable of accepting payloads that are: EO/IR/LD capable of providing: 90% PD of a military target, from the UA's operational altitude out to a minimum of 30 km slant range; 90% PR of a military target, from the UA's operational altitude, out to a minimum of 10 km slant range; SAR/GMTI sensor capable of providing 85% PD of a military target, from the UA's operational altitude, out to a minimum of

	altitude, out to a minimum 10km slant range in clear weather	10 km slant range in clear weather.			10 km slant range in clear weather.	
Sustainment	The aircraft system must maintain a combat Ao of 90%.	MQ-1C must maintain a combat Ao of 90%.	MQ-1C must maintain a combat Ao of 80%.	Met updated threshold KPP at IOT&E	MQ-1C must maintain a combat Ao of 90%.	(Ch-2)
Aircraft Propulsion	The aircraft engine will be powered by DoD/NATO standard heavy fuel (JP8 Fuel).	UA engine will be powered by DoD/NATO standard heavy fuel (JP8 Fuel).	UA engine will be powered by DoD/NATO standard heavy fuel (JP8 Fuel).	Met objective	UA engine will be powered by DoD/NATO standard heavy fuel (JP8 Fuel).	(Ch-1)
Weapons Capable	The aircraft shall be capable of engaging traditional and non-traditional ground moving, stationary, and water borne moving targets with the AGM-114P-4A and AGM-114N-4 and other AGM-114 variants or similar future AGMs and small light weight precision munitions.	MQ-1C must be capable of engaging traditional and non-traditional ground moving and stationary and water borne moving and stationary targets with the AGM-114P-4A and AGM-114N-4.	MQ-1C must be capable of engaging traditional and non-traditional ground moving and stationary targets with the AGM-114P-4A and AGM-114N-4 and other AGM-114 variants or similar future AGMs and small light weight precision munitions.	Met threshold; (35) Hellfire shots DT/OT; (100+) Hellfire shots in OIF/OEF	MQ-1C must be capable of engaging traditional and non-traditional ground moving and stationary and water borne moving and stationary targets with the AGM-114P-4A and AGM-114N-4 and other AGM-114 variants or similar future AGMs and small light weight precision munitions.	(Ch-1)
Survivability and Force Protection	The GCS-V3 will be mounted onto an Army standard	The GCS will be mounted onto an Army standard tactical	The GCS will be mounted onto an Army standard tactical	Met objective	The GCS will be mounted onto an Army standard tactical	(Ch-1)

	tactical vehicle with the ability to be up armored.	vehicle with the ability to be up armored.	vehicle with the ability to be up armored.		vehicle with the ability to be up armored.
--	---	--	--	--	--

Requirements Source

Capability Production Document (CPD) dated March 24, 2009

Change Explanations

(Ch-1) The KPP description in the February 28, 2012 APB was not verbatim from the 2009 JROC approved CPD. The wording in the current APB (APB Change 2) was updated to reflect the exact verbiage from the 2009 JROC approved CPD.

(Ch-2) Updated current estimate parameter to align with September 12, 2013 APB.

Acronyms and Abbreviations

% - Percent

AGMs - Air-to-Ground Missiles

Ao - Operational Availability

ATO - Approval to Operate

CPD - Capability Production Document

DAA - Designated Approval Authority

DISR - Department of Defense Information Technology Standards Registry

EO/IR/LD - Electro-Optical/Infrared/Laser Designator

GCS-V3 - Ground Control Station Version Three

GIG IT - Global Information Grid Information Technology

IA - Information Assurance

IATO - Interim Approval to Operate

JROC - Joint Requirements Oversight Council

KIP - Key Interface Profile

km - Kilometers

KPP - Key Performance Parameter

lbs - Pounds

NATO - North Atlantic Treaty Organization

NCOW RM - Net Centric Operations Warfare Reference Model

PD - Probability of Detection

PR - Probability of Recognition

SAR/GMTI - Synthetic Aperture Radar/Ground Moving Target Indicator

TV - Technical View

UA - Unmanned Aircraft

Track to Budget

RDT&E

	Appn	BA	PE	
Army	2040	07	0305204A	
	Project	Name		
	D09	Research, Development, Test and Evaluation, Army		(Sunk)
		Notes: FY 2005 - FY 2010		
Army	2040	07	0305219A	
	Project	Name		
	MQ1	Research, Development, Test and Evaluation, Army		
		Notes: Beginning FY 2011		

Procurement

	Appn	BA	PE	
Army	2031	02	0305219A	
	Line Item	Name		
	A00020	MQ-1 Payload		(Shared) (Sunk)
Army	2031	01	0305219A	
	Line Item	Name		
	A0005	MQ-1 UAV		
		Notes: FY 2010 - FY 2036		
Army	2031	02	0313400A	
	Line Item	Name		
	A01001	MQ-1 Payload		(Shared)
		Notes: Beginning in FY 2015		
Army	2035	02	0030500A	
	Line Item	Name		
	00305000	Other Procurement, Army		(Sunk)
		Notes: FY 2007 - FY 2009		

The MQ-1C Gray Eagle program baseline includes the Common Sensor Payload (CSP) procurement, which is part of the MQ-1 Payloads Aircraft Procurement, Army budget line. The funding line is shared with the CSP, Synthetic Aperture Radar, Ground Moving Target Indicator, and the Tactical SIGINT Payload.

MILCON

	Appn	BA	PE
Army	2050	02	0202096A

Project	Name
069830	Military Construction, Army

Cost and Funding

Cost Summary

Total Acquisition Cost and Quantity

Appropriation	BY2010 \$M			BY2010 \$M	TY \$M		
	SAR Baseline Prod Est	Current APB Production Objective/Threshold	Current Estimate		SAR Baseline Prod Est	Current APB Production Objective	Current Estimate
RDT&E	895.3	931.7	1024.9	925.7	896.3	945.3	936.1
Procurement	3364.7	2988.0	3286.8	2909.6	3572.0	3217.3	3103.6
Flyaway	--	--	--	2157.9	--	--	2297.7
Recurring	--	--	--	1903.5	--	--	2028.8
Non Recurring	--	--	--	254.4	--	--	268.9
Support	--	--	--	751.7	--	--	805.9
Other Support	--	--	--	484.1	--	--	523.9
Initial Spares	--	--	--	267.6	--	--	282.0
MILCON	992.0	578.5	636.4	597.7	1080.7	640.2	658.2
Acq O&M	0.0	0.0	--	0.0	0.0	0.0	0.0
Total	5252.0	4498.2	N/A	4433.0	5549.0	4802.8	4697.9

Confidence Level for Current APB Cost 50% -

The Independent Cost Estimate (ICE) to support the MQ-1C Gray Eagle program Milestone C decision, like all life cycle cost estimates previously performed by the Cost Assessment and Program Evaluation (CAPE) office, is built upon a product-oriented work breakdown structure, based on historical actual cost information to the maximum extent possible, and, most importantly, based on conservative assumptions that are consistent with actual demonstrated contractor and government performance for a series of acquisition programs in which the Department has been successful.

The confidence level for the Full Rate Production-approved Acquisition Program Baseline (APB) is 50% and is based on the May 9, 2013, approved Army Cost Position and are in accordance with Army cost guidance, Army Regulations (AR) 11-18. It is difficult to calculate mathematically the precise confidence levels associated with life cycle cost estimates prepared for Major Defense Acquisition Programs (MDAPs). Based on the rigor in methods used in building estimates, the strong adherence to the collection and use of historical cost information, and the review of applied assumptions, we project that it is about equally likely that the estimate will prove too low or too high for execution of the program described.

Quantity	SAR Baseline Prod Est	Current APB Production	Current Estimate
RDT&E	2	2	2
Procurement	29	29	29
Total	31	31	31

The unit of measure for a MQ-1C Gray Eagle is balanced Platoons, each with four aircraft and associated support equipment and payloads to include: Electro-Optical/Infrared/Laser Range Finder/Laser Designator, communications relay, and up to four Hellfire Missiles. The Common Sensor Payload and STARlite Synthetic Aperture Radar Ground Moving Target Indicator are one per aircraft. Ground equipment per Platoon includes: two Universal Ground Control Stations, three Universal Ground Data Terminals, one Satellite Communication Ground Data Terminal, one Mobile Ground Control Station per Company, an Automated Take Off and Landing System which includes two Tactical Automatic Landing Systems and ground support equipment to include Ground-Based Sense and Avoid.

Although the Army's fielding strategy has evolved, the Army will continue to use the 29 platoon metric to determine APUC and the 31 platoon metric to determine PAUC. A balanced platoon contains four aircraft and ground support equipment and is the historic metric used to determine APUC and PAUC.

Cost and Funding

Funding Summary

**Appropriation and Quantity Summary
FY2015 President's Budget / December 2013 SAR (TY\$ M)**

Appropriation	Prior	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	To Complete	Total
RDT&E	878.7	10.9	46.5	0.0	0.0	0.0	0.0	0.0	936.1
Procurement	2330.2	466.3	199.0	49.3	52.2	6.5	0.1	0.0	3103.6
MILCON	437.2	36.0	124.0	22.0	39.0	0.0	0.0	0.0	658.2
Acq O&M	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PB 2015 Total	3646.1	513.2	369.5	71.3	91.2	6.5	0.1	0.0	4697.9
PB 2014 Total	3777.3	652.4	266.2	35.0	43.8	113.6	0.6	0.0	4888.9
Delta	-131.2	-139.2	103.3	36.3	47.4	-107.1	-0.5	0.0	-191.0

Quantity	Undistributed	Prior	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	To Complete	Total
Development	2	0	0	0	0	0	0	0	0	2
Production	0	23	4	2	0	0	0	0	0	29
PB 2015 Total	2	23	4	2	0	0	0	0	0	31
PB 2014 Total	2	25	3	1	0	0	0	0	0	31
Delta	0	-2	1	1	0	0	0	0	0	0

Cost and Funding

Annual Funding By Appropriation

Annual Funding TY\$

2040 | RDT&E | Research, Development, Test, and Evaluation, Army

Fiscal Year	Quantity	End Item Recurring Flyaway TY \$M	Non End Item Recurring Flyaway TY \$M	Non Recurring Flyaway TY \$M	Total Flyaway TY \$M	Total Support TY \$M	Total Program TY \$M
2005	--	--	--	--	--	--	54.3
2006	--	--	--	--	--	--	90.6
2007	--	--	--	--	--	--	123.7
2008	--	--	--	--	--	--	103.4
2009	--	--	--	--	--	--	61.8
2010	--	--	--	--	--	--	135.1
2011	--	--	--	--	--	--	119.2
2012	--	--	--	--	--	--	121.9
2013	--	--	--	--	--	--	68.7
2014	--	--	--	--	--	--	10.9
2015	--	--	--	--	--	--	46.5
Subtotal	2	--	--	--	--	--	936.1

Annual Funding BY\$**2040 | RDT&E | Research, Development, Test, and Evaluation, Army**

Fiscal Year	Quantity	End Item Recurring Flyaway BY 2010 \$M	Non End Item Recurring Flyaway BY 2010 \$M	Non Recurring Flyaway BY 2010 \$M	Total Flyaway BY 2010 \$M	Total Support BY 2010 \$M	Total Program BY 2010 \$M
2005	--	--	--	--	--	--	58.8
2006	--	--	--	--	--	--	95.5
2007	--	--	--	--	--	--	127.3
2008	--	--	--	--	--	--	104.4
2009	--	--	--	--	--	--	61.6
2010	--	--	--	--	--	--	132.7
2011	--	--	--	--	--	--	114.8
2012	--	--	--	--	--	--	115.5
2013	--	--	--	--	--	--	63.9
2014	--	--	--	--	--	--	9.9
2015	--	--	--	--	--	--	41.3
Subtotal	2	--	--	--	--	--	925.7

Annual Funding TY\$**2031 | Procurement | Aircraft Procurement, Army**

Fiscal Year	Quantity	End Item Recurring Flyaway TY \$M	Non End Item Recurring Flyaway TY \$M	Non Recurring Flyaway TY \$M	Total Flyaway TY \$M	Total Support TY \$M	Total Program TY \$M
2010	6	247.3	67.7	73.0	388.0	100.1	488.1
2011	6	243.2	57.7	92.9	393.8	110.3	504.1
2012	6	305.2	85.6	25.5	416.3	196.0	612.3
2013	4	198.0	110.6	54.2	362.8	87.6	450.4
2014	4	278.3	84.4	19.9	382.6	83.7	466.3
2015	2	131.8	8.4	2.4	142.6	56.4	199.0
2016	--	--	3.4	0.5	3.9	45.4	49.3
2017	--	--	4.8	0.5	5.3	46.9	52.2
2018	--	--	4.5	--	4.5	2.0	6.5
2019	--	--	--	--	--	0.1	0.1
Subtotal	28	1403.8	427.1	268.9	2099.8	728.5	2828.3

Annual Funding BY\$**2031 | Procurement | Aircraft Procurement, Army**

Fiscal Year	Quantity	End Item Recurring Flyaway BY 2010 \$M	Non End Item Recurring Flyaway BY 2010 \$M	Non Recurring Flyaway BY 2010 \$M	Total Flyaway BY 2010 \$M	Total Support BY 2010 \$M	Total Program BY 2010 \$M
2010	6	240.8	65.9	71.1	377.8	97.5	475.3
2011	6	232.5	55.2	88.8	376.5	105.5	482.0
2012	6	286.6	80.4	23.9	390.9	184.2	575.1
2013	4	182.0	101.6	49.8	333.4	80.5	413.9
2014	4	250.8	76.1	17.9	344.8	75.4	420.2
2015	2	116.5	7.4	2.1	126.0	49.9	175.9
2016	--	--	2.9	0.4	3.3	39.4	42.7
2017	--	--	4.1	0.4	4.5	39.9	44.4
2018	--	--	3.7	--	3.7	1.7	5.4
2019	--	--	--	--	--	0.1	0.1
Subtotal	28	1309.2	397.3	254.4	1960.9	674.1	2635.0

Annual Funding TY\$**2035 | Procurement | Other Procurement, Army**

Fiscal Year	Quantity	End Item Recurring Flyaway TY \$M	Non End Item Recurring Flyaway TY \$M	Non Recurring Flyaway TY \$M	Total Flyaway TY \$M	Total Support TY \$M	Total Program TY \$M
2007	--	--	--	--	--	9.7	9.7
2008	--	--	31.4	--	31.4	24.3	55.7
2009	1	151.2	15.3	--	166.5	43.4	209.9
Subtotal	1	151.2	46.7	--	197.9	77.4	275.3

Annual Funding BY\$**2035 | Procurement | Other Procurement, Army**

Fiscal Year	Quantity	End Item Recurring Flyaway BY 2010 \$M	Non End Item Recurring Flyaway BY 2010 \$M	Non Recurring Flyaway BY 2010 \$M	Total Flyaway BY 2010 \$M	Total Support BY 2010 \$M	Total Program BY 2010 \$M
2007	--	--	--	--	--	9.9	9.9
2008	--	--	31.6	--	31.6	24.5	56.1
2009	1	150.2	15.2	--	165.4	43.2	208.6
Subtotal	1	150.2	46.8	--	197.0	77.6	274.6

**Annual Funding TY\$
2050 | MILCON | Military Construction,
Army**

Fiscal Year	Total Program TY \$M
2011	102.0
2012	228.0
2013	107.2
2014	36.0
2015	124.0
2016	22.0
2017	39.0
Subtotal	658.2

**Annual Funding BY\$
2050 | MILCON | Military Construction,
Army**

Fiscal Year	Total Program BY 2010 \$M
2011	96.5
2012	212.4
2013	98.1
2014	31.9
2015	107.6
2016	18.7
2017	32.5
Subtotal	597.7

Low Rate Initial Production

	Initial LRIP Decision	Current Total LRIP
Approval Date	3/29/2010	7/3/2012
Approved Quantity	2	6
Reference	Milestone C ADM	LRIP III ADM
Start Year	2010	2012
End Year	2011	2015

The Current Total LRIP Quantity is more than 10% of the total production quantity due to Milestone Decision Authority directed the LRIP quantities to facilitate the MQ-1C Gray Eagle capability entrance into theater as quickly as possible.

Initial LRIP Decision

The original LRIP quantity was two MQ-1C Gray Eagle systems which equates to six platoon sets (24 aircraft).

Current Total LRIP

The Current Total LRIP quantity is six MQ-1C Gray Eagle systems which equates to 18 platoon sets and includes LRIP I (24 aircraft and two attrition aircraft), LRIP II (24 aircraft and five attrition aircraft) and LRIP III (29 aircraft).

Foreign Military Sales

MQ-1C Gray Eagle has one inquiry for Pricing and Availability from the Government of Poland. There are no other inquiries or international activity at this time.

Nuclear Costs

None.

Unit Cost**Unit Cost Report**

	BY2010 \$M	BY2010 \$M	
Unit Cost	Current UCR Baseline (SEP 2013 APB)	Current Estimate (DEC 2013 SAR)	BY % Change

Program Acquisition Unit Cost (PAUC)

Cost	4498.2	4433.0	
Quantity	31	31	
Unit Cost	145.103	143.000	-1.45

Average Procurement Unit Cost (APUC)

Cost	2988.0	2909.6	
Quantity	29	29	
Unit Cost	103.034	100.331	-2.62

	BY2010 \$M	BY2010 \$M	
Unit Cost	Original UCR Baseline (MAR 2011 APB)	Current Estimate (DEC 2013 SAR)	BY % Change

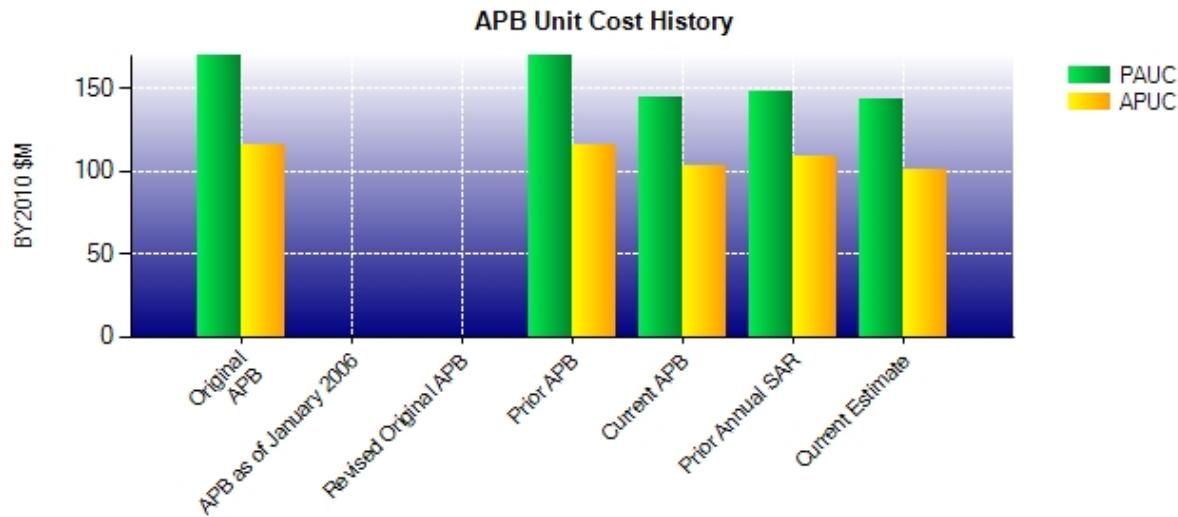
Program Acquisition Unit Cost (PAUC)

Cost	5252.0	4433.0	
Quantity	31	31	
Unit Cost	169.419	143.000	-15.59

Average Procurement Unit Cost (APUC)

Cost	3364.7	2909.6	
Quantity	29	29	
Unit Cost	116.024	100.331	-13.53

Unit Cost History



	Date	BY2010 \$M		TY \$M	
		PAUC	APUC	PAUC	APUC
Original APB	MAR 2011	169.419	116.024	179.000	123.172
APB as of January 2006	N/A	N/A	N/A	N/A	N/A
Revised Original APB	N/A	N/A	N/A	N/A	N/A
Prior APB	FEB 2012	169.419	116.024	179.000	123.172
Current APB	SEP 2013	145.103	103.034	154.929	110.941
Prior Annual SAR	DEC 2012	147.829	108.852	157.706	117.314
Current Estimate	DEC 2013	143.000	100.331	151.545	107.021

SAR Unit Cost History

Initial SAR Baseline to Current SAR Baseline (TY \$M)

Initial PAUC Dev Est	Changes									PAUC Prod Est
	Econ	Qty	Sch	Eng	Est	Oth	Spt	Total		
401.600	0.094	-242.537	-7.813	13.968	13.152	0.000	0.536	-222.600	179.000	

Current SAR Baseline to Current Estimate (TY \$M)

PAUC Prod Est	Changes									PAUC Current Est
	Econ	Qty	Sch	Eng	Est	Oth	Spt	Total		
179.000	1.768	0.000	0.139	0.810	-25.072	0.000	-5.100	-27.455	151.545	

Initial SAR Baseline to Current SAR Baseline (TY \$M)

Initial APUC Dev Est	Changes								APUC Prod Est
	Econ	Qty	Sch	Eng	Est	Oth	Spt	Total	
285.100	0.141	-177.121	0.000	14.931	-0.452	0.000	0.573	-161.928	123.172

Current SAR Baseline to Current Estimate (TY \$M)

APUC Prod Est	Changes								APUC Current Est
	Econ	Qty	Sch	Eng	Est	Oth	Spt	Total	
123.172	1.341	0.000	0.148	-0.472	-11.717	0.000	-5.452	-16.152	107.021

SAR Baseline History

Item/Event	SAR Planning Estimate (PE)	SAR Development Estimate (DE)	SAR Production Estimate (PdE)	Current Estimate
Milestone A	N/A	N/A	N/A	N/A
Milestone B	N/A	APR 2005	APR 2005	APR 2005
Milestone C	N/A	FEB 2010	MAR 2011	MAR 2011
IOC	N/A	FEB 2012	JUN 2012	DEC 2012
Total Cost (TY \$M)	N/A	5322.6	5549.0	4697.9
Total Quantity	N/A	13	31	31
Prog. Acq. Unit Cost (PAUC)	N/A	409.431	179.000	151.545

Cost Variance

	Summary Then Year \$M			
	RDT&E	Proc	MILCON	Total
SAR Baseline (Prod Est)	896.3	3572.0	1080.7	5549.0
Previous Changes				
Economic	+7.3	+61.3	+14.9	+83.5
Quantity	--	--	--	--
Schedule	--	+0.7	--	+0.7
Engineering	+38.8	-13.7	--	+25.1
Estimating	+34.8	-180.4	-586.0	-731.6
Other	--	--	--	--
Support	--	-37.8	--	-37.8
Subtotal	+80.9	-169.9	-571.1	-660.1
Current Changes				
Economic	-2.1	-22.4	-4.2	-28.7
Quantity	--	--	--	--
Schedule	--	+3.6	--	+3.6
Engineering	--	--	--	--
Estimating	-39.0	-159.4	+152.8	-45.6
Other	--	--	--	--
Support	--	-120.3	--	-120.3
Subtotal	-41.1	-298.5	+148.6	-191.0
Total Changes	+39.8	-468.4	-422.5	-851.1
CE - Cost Variance	936.1	3103.6	658.2	4697.9
CE - Cost & Funding	936.1	3103.6	658.2	4697.9

Summary Base Year 2010 \$M				
	RDT&E	Proc	MILCON	Total
SAR Baseline (Prod Est)	895.3	3364.7	992.0	5252.0
Previous Changes				
Economic	--	--	--	--
Quantity	--	--	--	--
Schedule	--	--	--	--
Engineering	+32.1	-17.5	--	+14.6
Estimating	+30.9	-146.4	-524.3	-639.8
Other	--	--	--	--
Support	--	-44.1	--	-44.1
Subtotal	+63.0	-208.0	-524.3	-669.3
Current Changes				
Economic	--	--	--	--
Quantity	--	--	--	--
Schedule	--	--	--	--
Engineering	--	--	--	--
Estimating	-32.6	-133.7	+130.0	-36.3
Other	--	--	--	--
Support	--	-113.4	--	-113.4
Subtotal	-32.6	-247.1	+130.0	-149.7
Total Changes	+30.4	-455.1	-394.3	-819.0
CE - Cost Variance	925.7	2909.6	597.7	4433.0
CE - Cost & Funding	925.7	2909.6	597.7	4433.0

Previous Estimate: December 2012

RDT&E	\$M	
Current Change Explanations	Base Year	Then Year
Revised escalation indices. (Economic)	N/A	-2.1
Adjustment for current and prior escalation. (Estimating)	+1.7	+1.8
Army realigned resources to fully fund the program to the approved schedule. (Estimating)	+25.8	+29.0
Revised estimate due to sequestration reduction in FY 2013. (Estimating)	-5.5	-5.9
Revised estimate to align with FY 2015 PB which resulted in reduced RDT&E funding for future planned improvements. (Estimating)	-54.6	-63.9
RDT&E Subtotal	-32.6	-41.1
Procurement	\$M	
Current Change Explanations	Base Year	Then Year
Revised escalation indices. (Economic)	N/A	-22.4
Adjustment for current and prior escalation. (Estimating)	+11.6	+13.0
Revised procurement profile due to FY 2013 Congressional reduction which delays procurement of four aircraft to FY 2015. (Schedule)	0.0	+3.6
Revised estimate for Common Systems Payload based on budget changes. (Estimating)	-13.0	-14.2
Revised estimate due to Congressional reduction in FY 2014 which defers Ka (military) Satellite Communications upgrade. (Estimating)	-51.2	-56.8
Revised estimate to align with FY 2015 PB which resulted in reduced Procurement funding for future planned modifications. (Estimating)	-87.2	-104.6
Revised estimate for Ground Equipment. (Estimating)	+6.1	+3.2
Adjustment for current and prior escalation. (Support)	+5.5	+5.6
Reduction in estimate for Initial Spares due to revised fielding plan. (Support)	-58.8	-65.2
Decrease in Other Support for Test and Evaluation, Software, Training/Devices and Modifications. (Support)	-60.1	-60.7
Procurement Subtotal	-247.1	-298.5
MILCON	\$M	
Current Change Explanations	Base Year	Then Year
Revised escalation indices. (Economic)	N/A	-4.2
Adjustment for current and prior escalation. (Estimating)	+3.9	+4.2
Revised estimate that supports changes in Army baseline strategy for stationing and fielding the MQ-1C Gray Eagle. (Estimating)	+126.1	+148.6
MILCON Subtotal	+130.0	+148.6

Contracts

Appropriation: Acq O&M

Contract Name	Gray Eagle PBL						
Contractor	General Atomics - Aeronautical Systems, Inc.						
Contractor Location	14200 Kirkham Way Poway, CA 92064						
Contract Number, Type	W58RGZ-12-C-0075, CPFF/CPIF						
Award Date	May 08, 2012						
Definitization Date	September 27, 2012						

Initial Contract Price (\$M)			Current Contract Price (\$M)			Estimated Price at Completion (\$M)	
Target	Ceiling	Qty	Target	Ceiling	Qty	Contractor	Program Manager
221.4	N/A	N/A	498.3	N/A	N/A	463.3	437.6

Target Price Change Explanation

The difference between the Initial Contract Price Target and the Current Contract Price Target is due to exercising the FY 2013 option.

Variance	Cost Variance	Schedule Variance
Cumulative Variances To Date (1/31/2014)	+6.3	-7.9
Previous Cumulative Variances	+6.3	-7.6
Net Change	+0.0	-0.3

Cost and Schedule Variance Explanations

The unfavorable net change in the schedule variance is due to Ground Control Equipment Spares that were impacted by technical issues associated with the Ground Data Terminal. An obsolete vendor component drove additional software analysis and impacted assembly.

Appropriation: Procurement

Contract Name **LRIP 3**
 Contractor General Atomics - Aeronautical Systems, Inc.
 Contractor Location 14200 Kirkham Way
 Poway, CA 92064
 Contract Number, Type W58RGZ-12-C-0057, FPIF
 Award Date July 06, 2012
 Definitization Date July 06, 2012

Initial Contract Price (\$M)			Current Contract Price (\$M)			Estimated Price at Completion (\$M)	
Target	Ceiling	Qty	Target	Ceiling	Qty	Contractor	Program Manager
411.0	424.6	29	438.2	452.7	29	436.8	437.0

Target Price Change Explanation

The difference between the Initial Contract Price Target and the Current Contract Price Target is due to contract modifications P00001 through P00011 adding a platoon set of ground equipment and updated spares list.

Variance	Cost Variance	Schedule Variance
Cumulative Variances To Date (1/31/2014)	-1.8	-46.8
Previous Cumulative Variances	-0.9	+1.0
Net Change	-0.9	-47.8

Cost and Schedule Variance Explanations

The unfavorable net change in the cost variance is due to Work In Process on lower level assemblies. Performance on lower level assemblies will be claimed when production reaches Earned Value methodology thresholds.

The unfavorable net change in the schedule variance is due to late receipt of Universal Ground Data Terminal (UGDT), Initial Spares, and Tactical Control Data Link (TCDL). UGDT delayed by late receipt of hardware. Initial Spares delayed by lack of agreement on spares kits list with AAI Corporation and late deliveries from L-3 Communications. TCDL impacted by redesign of two Circuit Card Assemblies. The current schedule variance has no impact to the fielding schedule.

Appropriation: Procurement

Contract Name **LRIP II**
 Contractor General Atomics - Aeronautical Systems, Inc.
 Contractor Location 14200 Kirkham Way
 Poway, CA 92064
 Contract Number, Type W58RGZ-11-C-0099, FPIF
 Award Date April 08, 2011
 Definitization Date December 06, 2011

Initial Contract Price (\$M)			Current Contract Price (\$M)			Estimated Price at Completion (\$M)	
Target	Ceiling	Qty	Target	Ceiling	Qty	Contractor	Program Manager
354.0	N/A	26	310.2	321.8	29	329.0	328.4

Target Price Change Explanation

The difference between the Initial Contract Price Target and the Current Contract Price Target is due to the Initial Contract Price Target being based on a Not To Exceed price.

Variance	Cost Variance	Schedule Variance
Cumulative Variances To Date (1/31/2014)	-7.0	-10.9
Previous Cumulative Variances	-1.8	-6.8
Net Change	-5.2	-4.1

Cost and Schedule Variance Explanations

The unfavorable net change in the cost variance is due to Integration, Assembly, Test and Checkout hours required during Phase 2 and Phase 3 flight line testing; including troubleshooting Government Furnished Equipment radios, incorporation of engineering changes, payloads, and rework tasks to support/correct critical engine related issues, and Ground Support Equipment line items that are in scope but were unplanned in the baseline.

The unfavorable net change in the schedule variance is due to delays for rework on Universal Ground Data Terminal Generation 3 modem Circuit Card Assemblies and delays related to software version 4.3.1.

Contract Comments

This contract is more than 90% complete; therefore, this is the final report for this contract.

Contract quantity 25 of 29 aircraft were delivered.

Appropriation: Procurement

Contract Name **LRIP-1**
 Contractor General Atomics - Aeronautical Systems, Inc.
 Contractor Location 14200 Kirkham Way
 Poway, CA 92064
 Contract Number, Type W58RGZ-10-C-0068, FPIF
 Award Date May 14, 2010
 Definitization Date February 28, 2011

Initial Contract Price (\$M)			Current Contract Price (\$M)			Estimated Price at Completion (\$M)	
Target	Ceiling	Qty	Target	Ceiling	Qty	Contractor	Program Manager
242.5	287.9	26	292.6	317.3	26	289.1	286.3

Target Price Change Explanation

The difference between the Initial Contract Price Target and the Current Contract Price Target is due to contract modifications through P00074.

Variance	Cost Variance	Schedule Variance
Cumulative Variances To Date (1/31/2014)	+10.4	-0.7
Previous Cumulative Variances	+1.4	-1.3
Net Change	+9.0	+0.6

Cost and Schedule Variance Explanations

The favorable net change in the cost variance is due to overestimated support on Program Management and System Engineering.

The favorable net change in the schedule variance is due to completion of Ground Support Equipment, specifically Half Rack and Breakout Boxes that were originally delayed due to engineering changes.

Contract Comments

This contract is more than 90% complete; therefore, this is the final report for this contract.

Contract quantity 25 of 26 were delivered.

Appropriation: Procurement

Contract Name	Full Rate Production (FRP)
Contractor	General Atomics Aeronautical Systems, Inc.
Contractor Location	14200 Kirkham Way Poway, CA 92064
Contract Number, Type	W58RGZ-13-C-0109, FFP
Award Date	September 13, 2013
Definitization Date	September 13, 2013

Initial Contract Price (\$M)			Current Contract Price (\$M)			Estimated Price at Completion (\$M)	
Target	Ceiling	Qty	Target	Ceiling	Qty	Contractor	Program Manager
199.7	N/A	15	240.0	N/A	19	240.0	240.0

Target Price Change Explanation

The difference between the Initial Contract Price Target and the Current Contract Price Target is due to exercising an option established under initial contract award.

Cost and Schedule Variance Explanations

Cost and Schedule Variance reporting is not required on this FFP contract.

Contract Comments

This is the first time this contract is being reported.

Appropriation: RDT&E

Contract Name **Engineering Services**
 Contractor General Atomics - Aeronautical Systems, Inc.
 Contractor Location 14200 Kirkham Way
 Poway, CA 92064
 Contract Number, Type W58RGZ-09-C-0136, CPFF
 Award Date September 30, 2009
 Definitization Date September 30, 2009

Initial Contract Price (\$M)			Current Contract Price (\$M)			Estimated Price at Completion (\$M)	
Target	Ceiling	Qty	Target	Ceiling	Qty	Contractor	Program Manager
77.2	N/A	N/A	160.7	N/A	N/A	152.1	153.0

Target Price Change Explanation

The difference between the Initial Contract Price Target and the Current Contract Price Target is due to Contract Modifications through Mod P00099.

Variance	Cost Variance	Schedule Variance
Cumulative Variances To Date (1/31/2014)	+7.8	-1.8
Previous Cumulative Variances	+10.6	-0.9
Net Change	-2.8	-0.9

Cost and Schedule Variance Explanations

The unfavorable net change in the cost variance is due to efforts on a Sub-Engineering Services Memorandum (SESM) needing additional Electromagnetic Interference (EMI) testing and the purchase of new equipment to resolve compatibility issues.

The unfavorable net change in the schedule variance is due to efforts on a SESM needing additional EMI testing, delays in the alternator delivery, and design rework on the High Power Distribution Module.

Contract Comments

This contract is more than 90% complete; therefore, this is the final report for this contract.

Appropriation: RDT&E

Contract Name	Production Readiness Test Asset (PRTA)
Contractor	General Atomics - Aeronautical Systems, Inc.
Contractor Location	14200 Kirkham Way Poway, CA 92064
Contract Number, Type	W58RGZ-09-C-0151, CPIF
Award Date	April 28, 2009
Definitization Date	April 20, 2010

Initial Contract Price (\$M)			Current Contract Price (\$M)			Estimated Price at Completion (\$M)	
Target	Ceiling	Qty	Target	Ceiling	Qty	Contractor	Program Manager
48.0	N/A	N/A	83.6	N/A	N/A	72.6	74.6

Target Price Change Explanation

The difference between the Initial Contract Price Target and the Current Contract Price Target is due to contract definitization at \$40.60M with options exercised during Calendar Years 2010 - 2012, and Contract Modifications through P00063.

Variance	Cost Variance	Schedule Variance
Cumulative Variances To Date (1/31/2014)	+12.4	-1.1
Previous Cumulative Variances	+8.0	-2.2
Net Change	+4.4	+1.1

Cost and Schedule Variance Explanations

The favorable net change in the cost variance is due to overestimated support on Datalink Spares, Program Management, and System Engineering.

The favorable net change in the schedule variance is due to completion of Datalink Spares kits originally delayed by late material from subcontractor.

Contract Comments

This contract is more than 90% complete; therefore, this is the final report for this contract.

Contract W58RGZ-09-C-0151, Production Readiness Test Asset was included in the 2012 SAR and is listed in the 2013 SAR as a reference. This contract is not currently in the top six largest contracts. The contract is over 90 percent complete so this is the final report for this contract.

Deliveries and Expenditures

Delivered to Date	Plan to Date	Actual to Date	Total Quantity	Percent Delivered
Development	2	2	2	100.00%
Production	10	10	29	34.48%
Total Program Quantity Delivered	12	12	31	38.71%

Expended and Appropriated (TY \$M)				
Total Acquisition Cost	4697.9	Years Appropriated		10
Expended to Date	2210.6	Percent Years Appropriated		66.67%
Percent Expended	47.06%	Appropriated to Date		4159.3
Total Funding Years	15	Percent Appropriated		88.54%

The above data is current as of 1/31/2014.

Operating and Support Cost

MQ-1C Gray Eagle

Assumptions and Ground Rules

Cost Estimate Reference:

The O&S Current Estimate is based on the June 14, 2013 Defense Acquisition Board (DAB) approved Full Rate Production (FRP) Army Cost Position (ACP). Operation and Maintenance cost was based on actual Unmanned Aircraft System (UAS) consumption data, analogy to Predator, O&S Management Information System (OSMIS) Blackhawk data. The cost is applied as steady state across the MQ-1C Gray Eagle program in accordance with the program schedule which includes a total approved procurement objective of 152 aircraft.

The unit of measure for a MQ-1C Gray Eagle is balanced Platoons, each with four aircraft and associated support equipment and payloads to include: Electro-Optical/Infrared/Laser Designator, communications relay, and up to four Hellfire Missiles. The Common Sensor Payload and STARlite Synthetic Aperture Radar Ground Moving Target Indicator are one per aircraft. Ground equipment per Platoon includes: two Universal Ground Control Stations, three Universal Ground Data Terminals, one Satellite Communication Ground Data Terminal, one Mobile Ground Control Station per Company, an Automated Take Off and Landing System which includes two Tactical Automatic Landing Systems and ground support equipment to include Ground-Based Sense and Avoid. A MQ-1C Gray Eagle Company is configured into three equal platoons and includes nine MQ-1C Gray Eagle aircraft for conventional companies (non-deployed) and when deployed, the Army will bring the company to full MQ-1C Gray Eagle System strength (12 aircraft and associated ground support equipment).

Sustainment Strategy:

The O&S cost is based on 15 MQ-1C Gray Eagle companies with a 20-year service plus one training base with a 27-year service life.

A Performance Based Logistics (PBL) contract was awarded May 8, 2012. The contract includes one base year plus two, one-year options. Soldiers will operate systems and perform 85% of the basic field maintenance. The Field Service Representative (FSR) will support remaining 15% of basic field maintenance through PBL efforts. Some of the Depot Level Reparables will be accomplished by organic depots through a Public Private Partnership (PPP) arrangement. The PPP with organic depot efforts will be determined through Cost Benefit Analysis and application of Title 10 USC 2426 and 50/50 rule.

Antecedent Information:

There is no antecedent to this program.

Unitized O&S Costs BY2010 \$M		
Cost Element	MQ-1C Gray Eagle Average annual cost per company	No Antecedent (Antecedent) N/A
Unit-Level Manpower	10.300	0.000
Unit Operations	1.300	0.000
Maintenance	3.460	0.000
Sustaining Support	3.750	0.000
Continuing System Improvements	0.360	0.000
Indirect Support	0.870	0.000
Other	2.460	0.000
Total	22.500	--

Unitized Cost Comments:

O&S unitized cost is based on 15 companies with a 20-year service life plus one training base with a 27-year service life. (15 companies x 20 year service life + one training base x 27 year service life = 327 Operational Systems).

The unitized average annual cost per system (Platoon) is \$22.5M (BY\$ 2010), (\$7357.3M / 327 Operational Systems). The \$2.460M Other cost is Operations and Maintenance related, Military Pay and Allowances (Medical & Morale, Welfare, Recreation).

	Total O&S Cost \$M		
	Current Production APB Objective/Threshold	Current Estimate	
	MQ-1C Gray Eagle	MQ-1C Gray Eagle	No Antecedent (Antecedent)
Base Year	7357.3	8093.0	7357.3
Then Year	9950.8	N/A	9950.8

Total O&S Costs Comments:HISTORICAL NOTES:

- 1) Prior to the FRP Decision, the average annual cost per MQ-1C Gray Eagle system was \$31.84M.
- 2) Ownership Cost Key System Attribute was not required for post Milestone B documents per the March 10, 2007 Life Cycle Sustainment Outcome Metrics memorandum and the December 1, 2007 Guide to Sustainment Key Performance Parameter memorandum from the Deputy Under Secretary of Defense for Material Readiness and Maintenance Policy. After that time, the program was reclassified as an Acquisition Category ID Major Defense Acquisition Program.

O&S Cost Variance		
Category	Base Year 2010 \$M	Change Explanation
Prior SAR Total O&S Estimate December 2012	11,904.0	
		Based on actual UAS consumption data, the June 2013 DAB

Cost Estimating Methodology	-4546.7	approved ACP and analogy to Predator and OSMIS Blackhawk data.
Cost Data Update	0.0	
Labor Rate	0.0	
Energy Rate	0.0	
Technical Input	0.0	
Programmatic/Planning Factors	0.0	
Other	0.0	
Total Changes	-4546.7	
Current Estimate	7357.3	

Disposal Costs:

Lifecycle demilitarization/disposal costs are not included in the above estimate.